



## Treasury Inspector General for Tax Administration

### THE INTERNAL REVENUE SERVICE IS SUCCESSFULLY TAKING STEPS TO TRANSITION MODERNIZATION ACTIVITIES FROM THE PRIME CONTRACTOR; HOWEVER, DIFFICULT CHALLENGES REMAIN

Issued on October 24, 2006

## Highlights

Highlights of Report Number: 2007-20-003 to the Internal Revenue Service Chief Information Officer.

### IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) has successfully taken the first steps to transition modernization activities from the PRIME contractor and is taking additional actions to build on these initial steps. However, because the IRS has not yet developed performance measures for all of the transitioned modernization activities, the IRS does not have an objective method of determining if transitioned activities are being accomplished effectively and taxpayer funds are being used efficiently.

### WHY TIGTA DID THE AUDIT

In 1998, the IRS initiated the Business Systems Modernization program to modernize its outdated computer systems and associated processes. To facilitate the success of its modernization efforts, the IRS hired the Computer Science Corporation as the PRIME contractor to achieve its overall goal of modernizing business processes and systems. The IRS relied on the PRIME contractor to act as a systems integrator to find and manage the best expertise and technical resources to achieve the IRS' organization goals.

In January 2005, due to budget reductions and concerns about the adequacy of the PRIME contractor's performance, the IRS began transitioning numerous activities from the PRIME contractor and taking over the role of systems integrator for all projects. The systems integrator role is a significant operational change for the IRS, requiring new procedures, personnel, and offices.

### WHAT TIGTA FOUND

The IRS has effectively assumed 2 (14 percent) of 14 modernization activities. For example, the IRS filled 8 of the 10 vacancies in the Modernization Program Engineering Office and eliminated all contractor support. In addition, the IRS simplified its system

development process, which had been previously maintained by the PRIME contractor. For the remaining 12 activities, the IRS has taken good first steps and established an initial capability. Until the IRS has time to take additional actions and consistently use new processes and strengthen its new capabilities, it is difficult to judge the eventual success of the IRS' actions.

Due to the significance of the transition activities, it will be important to measure how effectively activities are being accomplished as improvements are made. The IRS has not developed performance measures for all of the transitioned modernization activities that can be measured.

### WHAT TIGTA RECOMMENDED

The Chief Information Officer should ensure performance measures are developed for each IRS modernization activity that can be measured.

The Chief Information Officer agreed with our recommendation and will develop a plan to identify potential performance metrics for each measurable transitioned modernization activity.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200720003fr.pdf>.